



# COMMISSION NEWS

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TO: EDITORS, NEWS DIRECTORS  
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## INVESTOR ALERT: CHECK CREDENTIALS OF “SENIOR SPECIALISTS”

PHOENIX —The Arizona Corporation Commission, together with the North American Securities Administrators Association (NASAA), today urged seniors to carefully check the credentials of individuals holding themselves out as “senior specialists.”

“Individuals may call themselves ‘senior specialists’ to create a false level of comfort among seniors by implying a certain level of training on issues important to the elderly. But the training they receive is often nothing more than marketing and selling techniques targeting the elderly,” said NASAA President and Wisconsin Securities Administrator Patricia D. Struck.

Securities regulators from across North America are noting an increase in designations claiming to provide the holder with expertise in providing services to investors 55 years and older. There are legitimate organizations whose members must complete rigorous programs of study, pass extensive examinations and have practical experience in order to receive their designations. However, a number of groups have sprung up in the last few years offering designations with less stringent requirements. Without reviewing the course material for each of these designations, it is difficult to verify the claims made by the promoters.

Securities regulators have opened 26 cases in the past year involving “senior specialists” in the eastern half of the United States alone. Most of the cases involve securities recommendations by individuals who are not properly licensed by state securities regulators.

Arizona regulators took action against two individuals who purported to be either Senior Investment Advisors or Certified Senior Advisors with offices in Prescott and Mesa. The Chamber Group, formerly based in Prescott and Mesa, and three of its sales agents, Joseph Hiland, Travis Hiland and Tyson Hiland were found in March 2002 to have committed securities fraud and registration violations.

The Commission ordered The Chamber Group and the Hilands, all Arizona insurance agents, to pay over \$16,265,853 in restitution to investors for the four investment programs. The Commission also assessed administrative penalties in the amount of \$133,100 for multiple violations of the Securities Act of Arizona and the Arizona Investment Management Act. The Hilands attempted to appeal the Commission's order but the Commission's order was upheld by a Maricopa County Superior Court judge. The Hilands have failed to pay any restitution to their victims and are in default of the Commission order. The Commission continues to aggressively pursue collection and restitution.

Bogus senior specialists commonly target senior investors through seminars where the specialist reviews seniors' assets, including securities portfolios. Typically, the specialist recommends liquidating securities positions and using the proceeds to purchase indexed or variable annuities products. These types of annuity products typically pay the seller a high commission but saddle the investor with huge penalties if the investor needs to liquidate the investment before an often lengthy surrender period has passed.

These recommendations could be viewed as providing investment advice for compensation, requiring proper credentials and registration with state securities regulators.

“If the senior specialist crosses the line to offering investment advice, it could put them squarely in the crosshairs of our Securities Division and subject to a possible enforcement action,” Commission Chairman Jeff Hatch-Miller said.

With its large population of retirees, Arizona is fertile ground for scam artists and people scheming to make a quick buck.

“Thanks to the work of our Securities Division and the decisions of my fellow Commissioners, we also have a reputation for strong, consistent enforcement of securities laws,” Hatch-Miller added.

Before doing business with any investment professional, all investors – especially senior investors – should check with the Securities Division to determine whether the individual is properly licensed and if there have been any complaints or disciplinary problems involving the individual or his or her firm. For additional information on how to investigate securities offerings, visit [www.azinvestor.gov](http://www.azinvestor.gov) or contact the Securities Division at 602-542-4242 or toll free at 1-866-VERIFY-9.

The Commission offers a free brochure about variable annuities through its website [www.azinvestor.gov](http://www.azinvestor.gov). Click on Investor Info Center or access the brochure directly by entering [http://www.azinvestor.gov/InfoCenter\\_Docs/Variable%20annuities-what%20you%20should%20know.pdf](http://www.azinvestor.gov/InfoCenter_Docs/Variable%20annuities-what%20you%20should%20know.pdf) in your internet browser.

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NASAA is the oldest international organization devoted to investor protection. Its membership consists of the securities administrators in the 50 states, the District of Columbia, the U.S Virgin Islands, Puerto Rico, the provinces and territories of Canada, and Mexico.

**Related “senior specialist” cases in other jurisdictions:**

- A recent enforcement action by Massachusetts securities regulators against Investors Capital Corp. illustrates how a “senior specialist” designation can be used to hoodwink seniors. According to state regulators, one of the firm’s representatives stated during a seminar that his “Certified Senior Adviser” (CSA) designation – received by taking a three-day course or a home course, followed by a multiple-choice exam – indicated that he had been specifically trained to manage and solve financial problems facing seniors.
- According to Massachusetts regulators, the seminar steered investors toward investing in equity-indexed annuities as the best way to participate in stock market gains without risk. Equity-indexed annuities are complex insurance products with high commissions and long holding periods (as well as stiff penalties for early withdrawals), which make them unsuitable for many older investors. In November, the state charged the firm with misleading investors, especially seniors, into buying equity-indexed annuities.
- In another case, the Pennsylvania Securities Commission issued a cease and desist order in June 2005 against the Association of Senior Counselors and an agent to halt the offer and sale of unregistered securities. According to the state, the agent appeared at a senior’s home with materials saying he had “credentials you can trust,” among which included a “CSA” designation. An investigation determined that

the agent had been charged in Connecticut in 2004 with selling unregistered securities and failing to register as an agent of a securities issuer in connection with the alleged sale of promissory notes.